

Mr. John P. Barber, Executive Vice President-Chief Financial Officer
White Oak Manor, Inc.
2407 South Pine Street
Post Office Box 3347
Spartanburg, South Carolina 29304

Re: AC# 3-WOE-J8 – White Oak Estates

Dear Mr. Barber:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. John P. Barber, Executive Vice President-Chief Financial Officer
White Oak Manor, Inc.
2407 South Pine Street
PO Box 3347
Spartanburg, South Carolina 29304

Re: Draft Report – AC# 3-WOE-J8 – White Oak Estates

Dear Mr. Barber:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Ms. Cathy A. Crumpler, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-WOE-J8 – White Oak Estates

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Ms. Cathy A. Crumpler, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**WHITE OAK ESTATES
SPARTANBURG, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-WOE-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 23, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with White Oak Estates, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by White Oak Estates, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and White Oak Estates dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 23, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

WHITE OAK ESTATES
Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-WOE-J8

10/01/99
09/30/00

Interim reimbursement rate (1)	\$101.16
Adjusted reimbursement rate	<u>100.18</u>
Decrease in reimbursement rate	\$ <u><u>.98</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

WHITE OAK ESTATES

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-WOE-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$51.86	\$50.93	
Dietary		12.72	10.24	
Laundry/Housekeeping/Maint.		<u>9.93</u>	<u>8.89</u>	
Subtotal	\$ <u>-</u>	74.51	70.06	\$ 70.06
Administration & Med. Records	<u>\$1.88</u>	<u>9.51</u>	<u>11.39</u>	<u>9.51</u>
Subtotal		84.02	<u>\$81.45</u>	79.57
<u>Costs Not Subject to Standards:</u>				
Utilities		2.28		2.28
Special Services		.48		.48
Medical Supplies & Oxygen		2.26		2.26
Taxes and Insurance		1.42		1.42
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$90.46</u>		86.01
Inflation Factor (3.00%)				2.58
Cost of Capital				7.39
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.88
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				(.13)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.70</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$100.18</u>

WHITE OAK ESTATES
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1998
 AC# 3-WOE-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,631,100	\$ -	\$ -	\$1,631,100
Dietary	441,162	118,607 (2)	159,718 (5)	400,051
Laundry	84,141		1,357 (5)	82,784
Housekeeping	116,950		6,286 (5)	110,664
Maintenance	125,175		6,453 (5)	118,722
Administration & Medical Records	315,813		16,832 (5)	298,981
Utilities	75,414		3,651 (5)	71,763
Special Services	15,248			15,248
Medical Supplies & Oxygen	81,001		9,882 (3)	71,119
Taxes and Insurance	46,537		1,835 (5)	44,702
Legal Fees	26	-	2 (5)	24
Cost of Capital	242,396	828 (1)	830 (4) 799 (4) 8,414 (5) 736 (6)	232,445
Subtotal	3,174,963	119,435	216,795	3,077,603
Ancillary	37,104	-	-	37,104
Non-Allowable	332,920	9,882 (3) 1,629 (4) 204,548 (5) 736 (6)	828 (1)	548,887
Total Operating Expenses	<u>\$3,544,987</u>	<u>\$336,230</u>	<u>\$217,623</u>	<u>\$3,663,594</u>
Total Patient Days	<u>31,452</u>	<u>-</u>	<u>-</u>	<u>31,452</u>

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WOE-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 31,844	
	Other Equity	943	
	Cost of Capital	828	
	Fixed Assets		\$ 32,787
	Nonallowable		828
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Dietary	118,607	
	Meal Income		118,607
	To reverse provider's meal income offset HIM-15-1, Section 2102.3		
3	Nonallowable	9,882	
	Medical Supplies		9,882
	To adjust PEN Therapy cost HIM-15-1, Section 2300		
4	Nonallowable	1,629	
	Accumulated Depreciation	2,020	
	Cost of Capital Depreciation Expense		830
	Cost of Capital Amortization Expense		799
	Other Equity		2,020
	To adjust depreciation and amortization in accordance with policy effective 7/1/89 State Plan, Attachment 4.19D		
5	Nonallowable	204,548	
	Cost of Capital		8,414
	Taxes and Insurance		1,835
	Administration		16,832
	Legal		2
	Maintenance		6,453
	Utilities		3,651
	Laundry		1,357
	Housekeeping		6,286
	Dietary		159,718
	To correct DH&HS stepdown HIM-15-1, Section 2102.3		

WHITE OAK ESTATES
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-WOE-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Cost of Capital	736	736
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$371,037</u>	<u>\$371,037</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WHITE OAK ESTATES
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-WOE-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>88</u>
Deemed Asset Value	3,091,440
Improvements Since 1981	293,158
Accumulated Depreciation at 9/30/98	<u>(943,209)</u>
Deemed Depreciated Value	2,441,389
Market Rate of Return	<u>.063</u>
Total Annual Return	153,808
Return Applicable to Non-Reimbursable Cost Centers	(6,209)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,053</u>
Allowable Annual Return	152,652
Depreciation Expense	83,947
Amortization Expense	8,845
Capital Related Income Offsets	(4,377)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(8,622)</u>
Allowable Cost of Capital Expense	232,445
Total Patient Days (Minimum 97% Occupancy)	<u>31,452</u>
Cost of Capital Per Diem	\$ <u><u>7.39</u></u>